

# **VILLAGE OF CALEDONIA**



*A Friendly, Growing Community*

**CALEDONIA, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# VILLAGE OF CALEDONIA

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# REHMANN ROBSON

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

December 17, 2008

Honorable President and  
Members of the Village Council  
Village of Caledonia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Caledonia, Michigan, (the "Village") as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Caledonia, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Caledonia, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, on our consideration of the Village of Caledonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Caledonia's basic financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the Village of Caledonia's basic financial statements. The individual fund schedule has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Village of Caledonia, we offer readers of the Village of Caledonia's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The chip seal was completed for Kinsey & Johnson Streets
- Completion of Main Street and Streetscape Projects

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Caledonia's financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Village of Caledonia that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government administration and public works including major and local street maintenance. The business-type activities of the Village include sewer services.

The government-wide financial statements can be found on pages 9-11 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Caledonia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, major streets, and local streets funds, each of which is considered to be a major fund.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The governmental fund financial statements can be found on pages 12-18 of this report.

**Proprietary funds.** The Village of Caledonia maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Caledonia uses an enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-31 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

Individual fund schedules can be found on pages 32-33 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Caledonia, assets exceeded liabilities by \$7,692,468 at the close of the most recent fiscal year.

A portion of the Village's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Village of Caledonia Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 552,154	\$ 1,392,835	\$ 768,798	\$ 976,182	\$ 1,320,952	\$ 2,369,017
Capital assets	5,754,119	4,308,509	2,182,440	2,221,687	7,936,559	6,530,196
Total assets	6,306,273	5,701,344	2,951,238	3,197,869	9,257,511	8,899,213
Long-term liabilities outstanding	619,756	600,000	861,916	886,294	1,481,672	1,486,294
Other liabilities	78,757	33,013	39,509	42,685	118,266	75,698
Total liabilities	698,513	633,013	901,425	925,979	1,599,938	1,561,992
Net assets:						
Invested in capital assets, net of related debt	5,154,119	4,308,509	1,320,524	1,335,393	6,474,643	5,643,902
Restricted	192,523	425,093	100,000	185,054	292,523	610,147
Unrestricted, as restated	261,118	334,729	629,289	748,443	890,407	1,083,172
<b>Total net assets</b>	<b>\$ 5,607,760</b>	<b>\$ 5,068,331</b>	<b>\$ 2,049,813</b>	<b>\$ 2,268,890</b>	<b>\$ 7,657,573</b>	<b>\$ 7,337,221</b>



Net assets of the Village decreased by \$355,247.

### Village of Caledonia Changes in Net Assets

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenue:						
Program revenue:						
Charges for services	\$ 16,256	\$ 8,834	\$ 393,458	\$ 382,108	\$ 409,714	\$ 390,942
Capital grants and contributions	688,390	-	-	-	688,390	-
General revenue:						
Property taxes	293,428	269,533	-	-	293,428	269,533
Other governmental sources	164,247	156,413	-	-	164,247	156,413
Other	40,188	46,138	27,602	39,379	67,790	85,517
Total revenue	<u>1,202,509</u>	<u>480,918</u>	<u>421,060</u>	<u>421,487</u>	<u>1,623,569</u>	<u>902,405</u>
Expenses:						
General government	427,170	216,533	-	-	427,055	216,533
Public works	235,910	279,904	-	-	235,910	279,904
Sewer	-	-	640,137	421,757	640,137	421,757
Total expenses	<u>663,080</u>	<u>496,437</u>	<u>640,137</u>	<u>421,757</u>	<u>1,303,102</u>	<u>918,194</u>
Change in net assets	539,429	(15,519)	(219,077)	(270)	320,352	(15,789)
Net assets – beginning of year	<u>5,068,331</u>	<u>5,083,850</u>	<u>2,268,890</u>	<u>2,269,160</u>	<u>7,337,221</u>	<u>7,353,010</u>
<b>Net assets – end of year</b>	<b><u>\$ 5,607,760</u></b>	<b><u>\$ 5,068,331</u></b>	<b><u>\$ 2,049,813</u></b>	<b><u>\$ 2,268,890</u></b>	<b><u>\$ 7,657,573</u></b>	<b><u>\$ 7,337,221</u></b>

#### Governmental activities

During the year the Village continued its emphasis in public works by investing \$235,910 or 36% of governmental activities expenses. General government functions made up the remaining 29% of governmental activities expenses.

The governmental activities increase in net assets of \$539,429 is due primarily to a grant administered by MDOT. Revenues and expenditures increased largely due to the Main Street and Streetscape Projects and the accompanying MDOT grant.

#### Business-type activities

Business-type activities decreased the Village's net assets by \$219,077. By comparison, business-type activities reported a decrease in net assets the previous fiscal year of \$270. Key elements of this decrease are as follows:

- Share expense with the Township for Professional Services as we look for ways to improve WWTP capacity.
- Timing of reimbursement from the Township for these activities.
- The expenditures for the work done on Main Street were partially charged to the business-type activities.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$473,397 a decrease of \$886,425 in comparison with the prior year. Much of this decrease was due to the completion of the Main Street and Streetscape projects

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$280,874 which is equal to total fund balance.

The fund balance of the Village's general fund decreased by \$653,855 during the current fiscal year, due to the Village issuing general obligation bonds in the prior fiscal year. The bonds were spent in the current fiscal year.

The major and local streets funds have total fund balances of \$163,899 and \$28,624, respectively, which decreased by \$235,058 and \$2,488, respectively, during the year. Major streets funds decreased as we completed the Main Street project. The local streets funds decreased due to the increased costs for snow removal, street maintenance, and related payroll.

**Proprietary fund.** The Village's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sewer fund at the end of the year amounted to \$639,289. The sewer fund had a decrease in net assets for the year of \$219,077. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

## **General Fund Budgetary Highlights**

Amendments were made for attorney fees associated with the resolution of 245 Kinsey and engineering fees in preparation for the Main Street project.

## Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$7,936,559 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment.

Major capital asset additions included construction in progress for the Streetscape project.

### Village of Caledonia Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,487,649	\$ 3,487,649	\$ 108,268	\$ 108,268	\$ 3,595,917	\$ 3,595,917
Construction in progress	-	33,276	-	-	-	33,276
Building and system improvements	2,236,897	745,592	2,022,780	2,096,189	4,259,677	2,841,781
Vehicles and equipment	29,573	41,992	51,392	17,230	80,965	59,222
<b>Total</b>	<b><u>\$ 5,754,119</u></b>	<b><u>\$ 4,308,509</u></b>	<b><u>\$ 2,182,440</u></b>	<b><u>\$ 2,221,687</u></b>	<b><u>\$ 7,936,559</u></b>	<b><u>\$ 6,530,196</u></b>

Additional information on the Village of Caledonia capital assets can be found in Note 4 on pages 28-29 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village had total debt outstanding (net of unamortized discount) of \$1,461,916. The Village's total installment debt decreased by \$24,378 during the current fiscal year. The Village is currently not rated for general obligation bond issuance. Additional information on the Village's long-term debt can be found in Note 5 on page 30 of this report.

## Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2008-09 fiscal year:

- Main Street and Streetscape projects
- Additional parking area
- Replacement of equipment
- Capital Improvement Bond (revenues and payments)

## Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, 250 South Maple St., SE, Caledonia, Michigan 49316.

## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF CALEDONIA

## Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 526,805	\$ 417,506	\$ 944,311
Restricted cash and cash equivalents	-	309,824	309,824
Receivables:			
Accounts	-	41,468	41,468
Due from other governments	25,349	-	25,349
Capital assets not being depreciated	3,487,649	108,268	3,595,917
Capital assets being depreciated, net	<u>2,266,470</u>	<u>2,074,172</u>	<u>4,340,642</u>
<b>Total assets</b>	<u>6,306,273</u>	<u>2,951,238</u>	<u>9,257,511</u>
<b>Liabilities</b>			
Accounts payable	78,757	39,509	118,266
Noncurrent liabilities:			
Due within one year	22,098	50,000	72,098
Due in more than one year, net of unamortized discount	<u>597,658</u>	<u>811,916</u>	<u>1,409,574</u>
<b>Total liabilities</b>	<u>698,513</u>	<u>901,425</u>	<u>1,599,938</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,154,119	1,312,440	6,466,559
Restricted for:			
Major streets	163,899	-	163,899
Local streets	28,624	-	28,624
Debt Service	-	100,000	100,000
Unrestricted	<u>261,118</u>	<u>637,373</u>	<u>898,491</u>
<b>Total net assets</b>	<u><u>\$ 5,607,760</u></u>	<u><u>\$ 2,049,813</u></u>	<u><u>\$ 7,657,573</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Statement of Activities

For the Year Ended June 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges For Services</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental activities</b>				
General government	\$ 427,170	\$ 15,575	\$ -	\$ (411,595)
Public works	<u>235,910</u>	<u>681</u>	<u>688,390</u>	<u>453,161</u>
Total governmental activities	663,080	16,256	688,390	41,566
<b>Business-type activities</b>				
Sewer	<u>640,137</u>	<u>393,458</u>	<u>-</u>	<u>(246,679)</u>
Total	<u>\$ 1,303,217</u>	<u>\$ 409,714</u>	<u>\$ 688,390</u>	<u>\$ (205,113)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Statement of Activities (Concluded)

For the Year Ended June 30, 2008

<u>Functions / Programs</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ 41,566	\$ (246,679)	\$ (205,113)
General revenues:			
Property taxes	293,428	-	293,428
State shared revenue	164,247	-	164,247
Unrestricted investment earnings	40,188	27,602	67,790
Total general revenues	497,863	27,602	525,465
Change in net assets	539,429	(219,077)	320,352
Net assets, beginning of year	5,068,331	2,268,890	7,337,221
<b>Net assets, end of year</b>	<u>\$ 5,607,760</u>	<u>\$ 2,049,813</u>	<u>\$ 7,657,573</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Balance Sheet Governmental Funds

June 30, 2008

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 308,932	\$ 191,701	\$ 26,172	\$ 526,805
Due from other governments	<u>12,962</u>	<u>8,738</u>	<u>3,649</u>	<u>25,349</u>
<b>Total assets</b>	<u><u>\$ 321,894</u></u>	<u><u>\$ 200,439</u></u>	<u><u>\$ 29,821</u></u>	<u><u>\$ 552,154</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 41,020	\$ 36,540	\$ 1,197	\$ 78,757
<b>Fund balances</b>				
Unreserved- undesignated	<u>280,874</u>	<u>163,899</u>	<u>28,624</u>	<u>473,397</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 321,894</u></u>	<u><u>\$ 200,439</u></u>	<u><u>\$ 29,821</u></u>	<u><u>\$ 552,154</u></u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF CALEDONIA

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2008

Fund balances - total governmental funds	\$ 473,397
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources,  
and therefore are not reported in the funds.

Add - capital assets not being depreciated	3,487,649
Add - capital assets being depreciated, net	2,266,470

Certain liabilities, such as bonds payable, are not due and payable in the  
current period and therefore are not reported in the funds.

Deduct - bonds payable	(600,000)
Deduct - compensated absences	<u>(19,756)</u>

Net assets of governmental activities	<u><u>\$ 5,607,760</u></u>
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The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2008

	General Fund	Major Streets	Local Streets	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 293,428	\$ -	\$ -	\$ 293,428
Intergovernmental revenue	80,164	744,270	28,203	852,637
Licenses and permits	681	-	-	681
Interest earnings	25,097	10,899	4,192	40,188
Other	15,575	-	-	15,575
	<u>414,945</u>	<u>755,169</u>	<u>32,395</u>	<u>1,202,509</u>
Total revenues	<u>414,945</u>	<u>755,169</u>	<u>32,395</u>	<u>1,202,509</u>
<b>Expenditures</b>				
General government	432,731	-	-	432,731
Public works	112,113	55,416	29,907	197,436
Capital outlay	465,386	993,381	-	1,458,767
	<u>1,010,230</u>	<u>1,048,797</u>	<u>29,907</u>	<u>2,088,934</u>
Total expenditures	<u>1,010,230</u>	<u>1,048,797</u>	<u>29,907</u>	<u>2,088,934</u>
Revenues over (under) expenditures	<u>(595,285)</u>	<u>(293,628)</u>	<u>2,488</u>	<u>(886,425)</u>
<b>Other financing sources</b>				
Transfers in	-	58,570	-	58,570
Transfers out	(58,570)	-	-	(58,570)
	<u>(58,570)</u>	<u>58,570</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(58,570)</u>	<u>58,570</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(653,855)	(235,058)	2,488	(886,425)
Fund balances, beginning of year	<u>934,729</u>	<u>398,957</u>	<u>26,136</u>	<u>1,359,822</u>
<b>Fund balances, end of year</b>	<u><u>\$ 280,874</u></u>	<u><u>\$ 163,899</u></u>	<u><u>\$ 28,624</u></u>	<u><u>\$ 473,397</u></u>

The accompanying notes are an integral part of these financial statements.

# **VILLAGE OF CALEDONIA**

## **Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities**

**For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds	\$ (886,425)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,501,754
Deduct - depreciation expense	(54,811)
Deduct - loss on disposal of assets	(1,333)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Deduct - increase in the accrual for compensated absences	<u>(19,756)</u>
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Change in net assets of governmental activities	<u><u>\$ 539,429</u></u>
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The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes	\$ 292,324	\$ 292,324	\$ 293,428	\$ 1,104
Intergovernmental revenue	81,125	81,125	80,164	(961)
Licenses and permits	2,600	2,600	681	(1,919)
Interest earnings	10,000	10,000	25,097	15,097
Other	4,000	4,000	15,575	11,575
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	390,049	390,049	414,945	24,896
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
General government	197,913	437,913	432,731	5,182
Public works	123,292	127,592	112,113	15,479
Capital Outlay	-	468,745	465,386	3,359
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	321,205	1,034,250	1,010,230	24,020
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	68,844	(644,201)	(595,285)	48,916
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing uses</b>				
Transfers out	-	-	(58,570)	(58,570)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	68,844	(644,201)	(653,855)	(9,654)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	934,729	934,729	934,729	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u>\$ 1,003,573</u>	<u>\$ 290,528</u>	<u>\$ 280,874</u>	<u>\$ (9,654)</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Major Streets Special Revenue Fund

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Intergovernmental revenue	\$ 52,606	\$ 52,606	\$ 744,270	\$ 691,664
Interest earnings	<u>8,000</u>	<u>8,000</u>	<u>10,899</u>	<u>2,899</u>
 Total revenues	 <u>60,606</u>	 <u>60,606</u>	 <u>755,169</u>	 <u>694,563</u>
<b>Expenditures</b>				
Public works:				
Routine maintenance	23,900	23,900	3,054	20,846
Winter maintenance	20,100	20,100	52,362	(32,262)
Capital outlay	<u>-</u>	<u>283,000</u>	<u>993,381</u>	<u>(710,381)</u>
 Total expenditures	 <u>44,000</u>	 <u>327,000</u>	 <u>1,048,797</u>	 <u>(721,797)</u>
 Revenues over (under) expenditures	 16,606	 (266,394)	 (293,628)	 (27,234)
<b>Other financing uses</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>58,570</u>	<u>58,570</u>
 Net change in fund balances	 16,606	 (266,394)	 (235,058)	 31,336
 Fund balances, beginning of year	 <u>398,957</u>	 <u>398,957</u>	 <u>398,957</u>	 <u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 415,563</u></u>	<u><u>\$ 132,563</u></u>	<u><u>\$ 163,899</u></u>	<u><u>\$ 31,336</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Local Streets Special Revenue Fund

**For the Year Ended June 30, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Revenues</b>				
Intergovernmental revenue	\$ 21,550	\$ 21,550	\$ 28,203	\$ 6,653
Interest earnings	3,900	3,900	4,192	292
Total revenues	25,450	25,450	32,395	6,945
<b>Expenditures</b>				
Public works:				
Routine maintenance	5,980	5,980	5,458	522
Winter maintenance	31,130	31,130	24,449	6,681
Total expenditures	37,110	37,110	29,907	7,203
Revenues over (under) expenditures	(11,660)	(11,660)	2,488	14,148
Fund balances, beginning of year	26,136	26,136	26,136	-
<b>Fund balances, end of year</b>	<b>\$ 14,476</b>	<b>\$ 14,476</b>	<b>\$ 28,624</b>	<b>\$ 14,148</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Statement of Net Assets Proprietary Fund

June 30, 2008

	<b>Sewer Enterprise Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 417,506
Accounts receivable	41,468
Restricted cash and cash equivalents	309,824
Total current assets	<u>768,798</u>
Noncurrent assets:	
Capital assets not being depreciated	108,268
Capital assets being depreciated, net	<u>2,074,172</u>
Total noncurrent assets	<u>2,182,440</u>
<b>Total assets</b>	<u>2,951,238</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	39,509
Bonds payable, current portion	<u>50,000</u>
Total current liabilities	89,509
Long-term liabilities:	
Bonds payable, net of current portion and unamortized discount of \$8,084	<u>811,916</u>
<b>Total liabilities</b>	<u>901,425</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	1,320,524
Restricted for debt service	100,000
Unrestricted	<u>629,289</u>
<b>Total net assets</b>	<u>\$ 2,049,813</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## Statement of Revenues, Expenses and Changes in Net Assets Proprietary Fund

For the Year Ended June 30, 2008

	<b>Sewer Enterprise Fund</b>
<b>Operating revenues</b>	
Charges for services	<u>\$ 393,458</u>
<b>Operating expenses</b>	
Supplies and administration	196,103
Repairs and maintenance	96,415
Capital outlay	223,593
Depreciation	<u>77,781</u>
Total operating expenses	<u>593,892</u>
Operating loss	<u>(200,434)</u>
<b>Nonoperating revenues (expenses)</b>	
Interest earnings	27,602
Interest expense	<u>(46,245)</u>
Total nonoperating revenues (expenses)	<u>(18,643)</u>
Change in net assets	(219,077)
Net assets, beginning of year	<u>2,268,890</u>
<b>Net assets, end of year</b>	<u><u>\$ 2,049,813</u></u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF CALEDONIA

## Statement of Cash Flows Proprietary Fund

For the Year Ended June 30, 2008

	<b>Sewer Enterprise Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 411,217
Cash payments to suppliers and employees for goods and services	<u>(519,287)</u>
Net cash provided by operating activities	<u>(108,070)</u>
<b>Cash flows from capital and related financing activities</b>	
Interest and fiscal charges paid on bonds payable	(45,623)
Principal payments on bonds payable	(25,000)
Purchase of property, plant and equipment	<u>(38,534)</u>
Net cash used by capital and related financing activities	<u>(109,157)</u>
<b>Cash flows from investing activities</b>	
Interest earnings	<u>27,602</u>
Net increase in cash and cash equivalents	(189,625)
Cash and cash equivalents, beginning of year	<u>916,955</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 727,330</u></u>
<b>Reconciliation to the statement of net assets:</b>	
Cash and cash equivalents	\$ 417,506
Restricted cash and cash equivalents	<u>309,824</u>
	<u><u>\$ 727,330</u></u>
<b>Cash flows from operating activities</b>	
Operating loss	\$ (200,434)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	77,781
Increase (decrease) in:	
Accounts receivable	17,759
Accounts payable	<u>(3,176)</u>
Net cash used in operating activities	<u><u>\$ (108,070)</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Caledonia (the “Village”) is a municipal corporation governed by an elected board.

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the Village and any related entities for which the Village is considered to be financially accountable. The Village follows the criteria established by GASB 14 and 39, which includes financial accountability. There are currently no other entities for which the Village is financially accountable.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After October 1 of each year, the County pays the Village, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and debt service expenditures are recorded only when payment is due.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the Village.

The *Local Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the Village.

The Village reports the following major proprietary fund:

The *Sewer Enterprise Fund* is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

***Budgets and Budgetary Accounting***

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. Budgetary control is exercised at the department level. The Village manager is authorized to transfer budget amounts between line items within department, however, any supplemental appropriations that amend total expenditures of any department require Village Council resolution. Unexpended appropriations lapse at year-end.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the Village considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

***Restricted Cash and Cash Equivalents***

Certain resources set aside for repayment of bonds and to meet bond covenants are classified as restricted cash and cash equivalents on the statement of net assets because their use is limited by applicable bond covenants.

***Receivables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial at year end.

***Fund Equity***

Reserves represent those portions of fund equity not appropriable for expenditures or legally separated for a specific future use.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in the proprietary fund. Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u><b>Years</b></u>
Buildings	40
Vehicles	12
Equipment	3-10
Sewer System	15-50

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

***Compensated Absences***

Under terms of Village policy, employees are granted sick leave at the rate of 6 days per year, on July 1 of each year. Unused sick leave may accumulate up to 240 hours. Employees are granted vacation time in varying amounts based on length of service. Employees may roll over 40 hours of vacation leave each calendar year. These liabilities are included on the government-wide financial statements.

***Property Taxes***

The Village property tax is levied each July 1 on the assessed valuation of property located in the Village as of the preceding July 31, the lien date. Collections are made July 1 through September 14. Assessed values are established annually by the County and are equalized by the State at an estimated 50% of current market value.

Property taxes levied in July of each year are recognized as revenue in that year.

***Risk Management***

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the Village carried commercial insurance to cover most risks of losses. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2008

#### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted on the activity level in the General Fund and the function level in other funds.

During the year ended June 30, 2008, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund			
Clerk	\$ 22,475	\$ 22,932	\$ 457
Planning and zoning	18,923	26,650	7,727
Major Streets Fund			
Winter maintenance	20,100	52,362	32,262
Capital outlay	283,000	993,381	710,381

#### 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The captions on the statement of net assets relating to cash and cash equivalents and the amounts in the Total column are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 526,805	\$ 417,506	\$ 944,311
Restricted cash and cash equivalents	-	309,824	309,824
	<u>\$ 526,805</u>	<u>\$ 727,330</u>	<u>\$ 1,254,135</u>

Cash and cash equivalents and investments are comprised of the following at year-end:

Checking and saving accounts	\$ 580,049
Investments	674,036
Petty cash	50
	<u>\$ 1,254,135</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$379,064 of the Village's bank balance of \$580,580 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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These deposits are in three (3) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Village and a specific fund or common account. They are recorded in Village records at cost. Interest is recorded when earned.

The Village chooses to disclose its investments by specifically identifying each. As of year-end, the Village had the following investments:

**Investments**

	<u><b>Maturity</b></u>	<u><b>Fair Value</b></u>	<u><b>Rating</b></u>
Kent County Investment Pool	N/A	\$ 674,036	Unrated

***Investment and Deposit Risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified under "statutory authority" below. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the Village's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in "statutory authority" below. The Village's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

*Custodial Credit Risk-Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for the investment custodial risk. At year-end, the Village was not exposed to custodial credit risk, as all investments are held in the name of the Village.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

***Statutory Authority***

Act 217, PA 1982, authorizes the Village to deposit and invest in:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after purchase.



**VILLAGE OF CALEDONIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**

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- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools are authorized by Public Act 20 as amended through December 31, 1997.

The Village's investment policy does not exceed the state's limited authorized investment types.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,487,649	\$ -	\$ -	\$ 3,487,649
Construction in progress	<u>33,276</u>	<u>1,476,021</u>	<u>1,509,297</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,520,925</u>	<u>1,476,021</u>	<u>1,509,297</u>	<u>3,487,649</u>
Capital assets, being depreciated:				
Buildings	316,112	-	10,000	306,112
Equipment	37,760	25,733	-	63,493
Office equipment	14,849	-	-	14,849
Vehicles	121,497	-	8,000	113,497
Infrastructure	<u>516,942</u>	<u>1,509,297</u>	<u>-</u>	<u>2,026,239</u>
Total capital assets being depreciated	<u>1,007,160</u>	<u>1,535,030</u>	<u>18,000</u>	<u>2,524,190</u>

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Dispositions	Balance June 30, 2008
Less accumulated depreciation for:				
Buildings	\$ 59,431	\$ 7,653	\$ 10,000	\$ 57,084
Equipment	29,552	29,052	-	58,604
Office equipment	14,849	-	-	14,849
Vehicles	87,713	7,767	6,667	88,813
Infrastructure	<u>28,031</u>	<u>10,339</u>	<u>-</u>	<u>38,870</u>
Total accumulated depreciation	<u>219,576</u>	<u>54,811</u>	<u>16,667</u>	<u>257,720</u>
Net capital assets being depreciated	<u>787,584</u>	<u>1,480,219</u>	<u>(1,333)</u>	<u>2,266,470</u>
<b>Net governmental activities capital assets</b>	<b><u>\$ 4,308,509</u></b>	<b><u>\$ 2,956,240</u></b>	<b><u>\$ (1,510,630)</u></b>	<b><u>\$ 5,754,119</u></b>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	<u>\$ 108,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,268</u>
Capital assets being depreciated:				
Equipment	116,455	38,534	25,733	129,256
Sewer system	<u>3,240,352</u>	<u>-</u>	<u>-</u>	<u>3,240,352</u>
Total capital assets being depreciated	<u>3,356,807</u>	<u>38,354</u>	<u>25,733</u>	<u>3,369,608</u>
Less accumulated depreciation for:				
Equipment	99,225	4,372	25,733	77,864
Sewer system	<u>1,144,163</u>	<u>73,409</u>	<u>-</u>	<u>1,217,572</u>
Total accumulated depreciation	<u>1,243,388</u>	<u>77,781</u>	<u>25,733</u>	<u>1,295,436</u>
Net capital assets being depreciated	<u>2,113,419</u>	<u>(39,247)</u>	<u>-</u>	<u>2,074,172</u>
<b>Net business-type activities capital assets</b>	<b><u>\$ 2,221,687</u></b>	<b><u>\$ (39,247)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,182,440</u></b>

During the year ended June 30, 2008, the Village transferred equipment with cost and accumulated depreciation of \$25,733 (i.e., fully depreciated) from business-type activities to governmental activities.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 10,177
Public works	<u>18,901</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 29,078</u></b>
Business-type activities:	
Sewer	<u>\$ 77,781</u>

**VILLAGE OF CALEDONIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**

**5. LONG-TERM DEBT**

The following is a summary of debt transactions of the Village for the year ended June 30, 2008:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
\$600,000 Capital Improvement, General Obligation Limited Tax, Series 2007; due in annual installments ranging from \$15,000 to \$45,000 from July 1, 2009 through July 1, 2027; interest at 4.45%	\$ 600,000	\$ -	\$ -	\$ 600,000	\$ 15,000
Long-term compensated absences	-	19,756	-	19,756	7,098
Total governmental activities	<u>\$ 600,000</u>	<u>\$ 19,756</u>	<u>\$ -</u>	<u>\$ 619,756</u>	<u>\$ 22,098</u>
<b>Business-type activities</b>					
\$995,000 Sanitary Sewage System Revenue Bonds, Series 2001; due in annual installments ranging from \$25,000 to \$80,000 from September 1, 2003 through September 1, 2021; interest at 4.8% to 5.5%	\$ 895,000	\$ -	\$ 25,000	\$ 870,000	\$ 50,000
Net discount	(8,706)	622	-	(8,084)	622
Total business-type activities	<u>\$ 886,294</u>	<u>\$ 622</u>	<u>\$ 25,000</u>	<u>\$ 861,916</u>	<u>\$ 49,378</u>

The annual requirements, excluding unamortized discounts, to maturity on the total long-term obligations outstanding at June 30, 2008 are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 15,000	\$ 26,366	\$ 50,000	\$ 43,822
2010	15,000	25,699	50,000	41,422
2011	15,000	25,031	50,000	39,022
2012	20,000	24,253	50,000	36,622
2013	20,000	23,363	50,000	34,197
2014-2018	125,000	101,571	315,000	128,482
2019-2023	175,000	68,196	305,000	30,926
2024-2028	215,000	24,586	-	-
<b>Total</b>	<u>\$ 600,000</u>	<u>\$ 319,065</u>	<u>\$ 870,000</u>	<u>\$ 354,493</u>

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**6. RETIREMENT PLAN**

The Village sponsors a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is available to all regular employees who have completed one year of service. The plan is administered by third-party trustees. Plan provisions and contribution requirements are established and may be amended by the Village Board. The contribution by the Village is determined annually by the Village Board and may be any amount up to 5% of individuals' compensation. For the year ended June 30, 2008, the Village contributed \$7,773.

**7. FEDERAL FUNDING**

The Michigan Department of Transportation (MDOT) received and expended \$688,390 in federal funds on behalf of the Village's Major Streets Special Revenue Fund. These monies will be included in the State of Michigan's single audit. Because the Village expended less than \$500,000 in directly administered federal awards, no single audit was required for the year ended June 30, 2008.

**8. TRANSFERS**

During the year ended June 30, 2008, the General Fund made an appropriation to the Major Streets special revenue fund in the amount of \$58,570.

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## **INDIVIDUAL FUND SCHEDULE**

## **GENERAL FUND**

# VILLAGE OF CALEDONIA

## General Fund Detailed Schedule of Expenditures - Budget and Actual

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>General government</b>				
Village Council - general:				
Salaries and wages	\$ 41,100	\$ 41,100	\$ 38,933	\$ 2,167
Audit	6,800	6,800	6,750	50
Insurance	18,760	197,760	190,770	6,990
Legal	30,000	70,000	76,088	(6,088)
Engineering	7,000	27,000	28,302	(1,302)
Utilities	16,700	16,700	13,209	3,491
Office supplies	5,350	5,350	3,780	1,570
Memberships and dues	1,200	1,200	1,179	21
Printing and publishing	2,000	2,000	1,436	564
Education and mileage	600	600	257	343
Capital outlay	3,000	3,000	1,982	1,018
Miscellaneous	5,900	6,900	6,420	480
	<u>138,410</u>	<u>378,410</u>	<u>369,106</u>	<u>9,304</u>
 President:				
Salaries and wages	5,394	5,394	3,915	1,479
	<u>5,394</u>	<u>5,394</u>	<u>3,915</u>	<u>1,479</u>
 Elections	200	200	-	200
	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
 Trustee:				
Salaries and wages	8,742	8,742	6,976	1,766
	<u>8,742</u>	<u>8,742</u>	<u>6,976</u>	<u>1,766</u>
 Clerk:				
Salaries and wages	19,725	19,725	20,352	(627)
Office supplies	2,750	2,750	2,580	170
	<u>22,475</u>	<u>22,475</u>	<u>22,932</u>	<u>(457)</u>
 Total clerk	<u>22,475</u>	<u>22,475</u>	<u>22,932</u>	<u>(457)</u>
 Treasurer:				
Salaries and wages	2,719	2,719	2,614	105
Office supplies	50	50	23	27
Miscellaneous	1,000	1,000	515	485
	<u>3,769</u>	<u>3,769</u>	<u>3,152</u>	<u>617</u>
 Total treasurer	<u>3,769</u>	<u>3,769</u>	<u>3,152</u>	<u>617</u>
 Planning and zoning:				
Salaries and wages	3,773	3,773	2,118	1,655
Engineering	15,150	15,150	24,532	(9,382)
	<u>18,923</u>	<u>18,923</u>	<u>26,650</u>	<u>(7,727)</u>
 Total planning and zoning	<u>18,923</u>	<u>18,923</u>	<u>26,650</u>	<u>(7,727)</u>
 <b>Total general government</b>	<u><b>197,913</b></u>	<u><b>437,913</b></u>	<u><b>432,731</b></u>	<u><b>5,182</b></u>

# VILLAGE OF CALEDONIA

## General Fund Detailed Schedule of Expenditures - Budget and Actual (Continued)

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - With Final Budget</u>
<b>Public works</b>				
Salaries and wages	\$ 32,700	\$ 37,000	\$ 37,201	\$ (201)
Insurance	9,792	9,792	9,287	505
Operating supplies	3,500	3,500	3,389	111
Telephone and pagers	500	500	406	94
Truck expense	7,000	7,000	7,219	(219)
Tree program	9,500	9,500	9,671	(171)
Street lights	39,500	39,500	26,343	13,157
Christmas lights	2,500	2,500	1,580	920
Contracted services	16,500	16,500	7,729	8,771
Miscellaneous	1,800	1,800	9,288	(7,488)
	<u>123,292</u>	<u>127,592</u>	<u>112,113</u>	<u>15,479</u>
<b>Total public works</b>	<u>123,292</u>	<u>127,592</u>	<u>112,113</u>	<u>15,479</u>
<b>Capital outlay</b>				
Capital outlay	<u>-</u>	<u>468,745</u>	<u>465,386</u>	<u>3,359</u>
	<u>-</u>	<u>468,745</u>	<u>465,386</u>	<u>3,359</u>
<b>Total capital outlay</b>	<u>-</u>	<u>468,745</u>	<u>465,386</u>	<u>3,359</u>
<b>Total expenditures</b>	<u><u>\$ 321,205</u></u>	<u><u>\$ 1,034,250</u></u>	<u><u>\$ 1,010,230</u></u>	<u><u>\$ 24,020</u></u>



## **INTERNAL CONTROL AND COMPLIANCE**



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

December 17, 2008

Honorable President and  
Members of the Village Council  
Village of Caledonia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the ***Village of Caledonia, Michigan*** (the "Village"), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

### **Finding 2008-1 – Segregation of Incompatible Duties**

Criteria:	Management is responsible for establishing and maintaining effective internal controls in order to safeguard the assets of the Village. A key element of internal control is the segregation of incompatible duties within the accounting function.
Condition/Finding:	The Village has several transaction cycles that are performed by the same individual or are not subject to independent review and approval, including: (1) physically receiving cash, recording cash receipts, balancing the cash drawers, and reconciling accounts receivable, (2) reconciling bank statements and processing cash receipts and disbursements, (3) initiating, evaluating, and approving investment transactions and maintaining/reconciling the general ledger for such accounts, (4) processing/approving the final payroll register prior to the release of checks, and (5) initiating and approving non-routine transactions, such as general journal entries.
Cause:	This condition is the result of staffing constraints typical of smaller governmental units.
Effect:	As a result of this condition, the Village is exposed to increased risk that misstatements (whether caused by error or fraud) could occur and not be detected by management in a timely basis.
Recommendation:	While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.
View of Responsible Officials:	The Village is aware of the risks associated with this condition, and has made the determination that given the Village's limited resources, full segregation of duties is not feasible at this time. Accordingly, the Village will continue to review monthly information to mitigate this risk, and rely on the annual external audit to help identify and correct misstatements, as needed.

### **Finding 2008-2 – Preparation of Financial Statements in Accordance with GAAP**

Criteria:	All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
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## **Finding 2008-2 – Preparation of Financial Statements in Accordance with GAAP (Concluded)**

Condition:	As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of various year end accruals and other adjustments, as well as the drafting of the financial statements and footnotes as part of its external financial reporting process. During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the Village's general ledger to the appropriate balances. These adjustments included reversing prior year accruals, properly accruing state revenue sharing payments, recording accrued interest on debt, and posting accrued salaries. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.
Cause:	This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
Effect:	As a result of this condition, the Village's internal accounting records were initially misstated by amounts material to the financial statements. In addition, the Village lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
View of Responsible Officials:	The Village has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

## **Finding 2008-3 – Material Audit Adjustments**

Criteria:	Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).
Condition:	During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the Village's general ledger to the appropriate balances. These adjustments affected long-term debt, accounts receivable, accounts payable, and capital assets.
Cause:	This condition was caused by management's decision that it is most cost effective for the Village to rely on its external auditors to assist in adjusting some of the year-end balances.
Effect:	As a result of this condition, the Village's accounting records were initially misstated by an amount material to the financial statements.
View of Responsible Officials:	The Village considered the initial submittals to the auditors to be preliminary and the Village typically requests assistance from the auditors in making final adjustments.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider each of the significant deficiencies described above to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village in a separate letter dated December 17, 2008.

The Village's responses to the findings identified in our audit are presented above. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Village Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

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December 17, 2008

Honorable President and  
Members of the Village Council  
Village of Caledonia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the *Village of Caledonia* (the “Village”) for the year ended June 30, 2008, and have issued our report thereon dated December 17, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated July 18, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Village’s compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on July 28, 2008.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. As described in our report on internal control and other matters, we proposed various material audit adjustments which, when aggregated, had a significant effect on the Village's reporting process.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 17, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the Village of Caledonia and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.



## **Village of Caledonia**

### **Comments and Recommendations**

**For the Year Ended June 30, 2008**

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In planning and performing our audit of the financial statements of the Village of Caledonia (the "Village") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

#### **Other Matters**

##### *Compensated Absences*

In the past, the Village has not recorded accrued sick and vacation pay, and has not prepared a schedule, or calculated estimates of this liability. This liability should be calculated by management each fiscal year for inclusion in the government-wide financial statements.

**Village of Caledonia**  
**Comments and Recommendations**  
**For the Year Ended June 30, 2008**

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*Internal Controls over Information Technology*

During our audit, we reviewed with management a list of recommended information technology controls. We noted various opportunities to enhance controls over IT as it relates to disaster recovery and formal IT policies and procedures. We recommend that the Village review the suggested controls not currently in place and determine whether it would be cost beneficial to revise such controls in the future.

*Independent Review and Approval of Journal Entries*

In a sample of general journal entries, we noted that all lacked evidence of independent review and approval. We understand that that management periodically reviews general journal entries even though this review is not being documented. While we noted no instances of override of controls during our testing, we recommend that the Village develop a procedure for requiring all journal entries to have evidence of independent review and approval.

*Lack of Controls over Purchase Accounts with Various Local Vendors*

The Village allows employees to make purchases on account at several stores around town. There is no review process prior to the purchase, unless it is greater than \$10,000 (due to bid requirements set by the State of Michigan). The Manager and Deputy Treasurer of the Village identified several vendors with which they knew the Village had open accounts. However, they also indicated that there are likely others that they could not readily identify.

In order to make a purchase at one of these vendors, an employee need only complete a generic purchase order form. These forms are not pre-numbered or controlled. We recommend that the Village adopt a formal purchasing policy that addresses which vendors are authorized for purchases on account, the individuals authorized to make such purchases, and the process for controlling purchase orders. Alternatively, the Village may wish to consider using credit cards to facilitate such purchases.

*Violation of the Village's Credit Card Policy*

In a sample of credit card charges, we noted that two lacked supporting documentation, as required by the Village's credit card policy. We also noted that no review was documented. We recommend that the Village retain appropriate supporting documentation for all credit card charges, and the reviewer document approval when reviewing credit card statements.

**Village of Caledonia**  
**Comments and Recommendations**  
**For the Year Ended June 30, 2008**

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*Budget Amendments*

The State of Michigan requires that municipalities adopt budgets for the General Fund and all Special Revenue funds. Expenditures may not be incurred in any of those funds prior to formal authorization through the approval or amendment of the budget. There is no authority to amend the budget after year end. For the year ended June 30, 2008, the Village included budget amendments in the financial statements that were approved by the Village Council after year end. We recommend that the Village change its budget processes so that all necessary budget amendments are approved by the Village Council before June 30.

\* \* \* \* \*